

WORKFORCE ADVISORY



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Number: 07-001

Date: 10/23/06

Expiration: Continuing

TO: Division of Business Partnership's Grantees & Sub-Recipients

SUBJECT: Salary and Bonus Limitations of Public Law 109-234 and TEGL
#05-06

The Employment and Training Administration, US Department of Labor, has issued Training and Employment Guidance Letter (TEGL) #05-06, *Implementing the Salary and Bonus Limitations in Public Law 109-234* (copy attached). The emergency supplemental appropriations bill, Public Law 109-234, included limits to the amount of salary and bonus compensation for individuals who are paid with funds appropriated to the Employment and Training Administration and provided to recipients and sub-recipients. The new restrictions were retroactively effective on June 15, 2006.

The new salary and bonus limitation will apply to 1) Workforce Investment Act Title IB formula funds, 2) WIA National Emergency Grants (NEG), including those for the Base Realignment and Closure (BRAC) activities, 3) the President's High Growth Job Training Initiative for Energy, and 4) Pilot and Demonstration grants.

The limit applies to recipient or sub-recipient organizations under one or more of these programs. The limit does not apply to vendors. The President's Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, provides definitions of recipients and vendors (see the web site <http://www.whitehouse.gov/omb/circulars/a133/a133.html> for more information).

The salary and bonus limitation applies to any individual paid in whole or in part with funds identified above under a recipient or sub-recipient agreement. This includes individuals charged directly to an agreement or through an indirect cost rate. The limitation applies to salaries or wages and any bonuses, but does not include fringe benefits or non-monetary compensation. Generally, the amount subject to the limitation is the amount reported in Internal Revenue Service (IRS) Form W-2, Item 1, or for sole proprietors or partnerships, the amounts reported in IRS Form 1040, Schedule C or Schedule E, respectively.

For calendar year 2006, the limit on salaries and bonuses is set at \$165,200. As referenced in the TEGL, the limitation is updated annually by the Office of Personnel Management (www.opm.gov).

The Alaska Department of Labor and Workforce Development is an equal opportunity employer/program.
Auxiliary aides and services are available upon request to individuals with disabilities.

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If only a portion of an individual's salary or wages are paid with an applicable funding source, the recipient or sub-recipient must complete an analysis to determine the amount that can be appropriately charged to the grant. Only the amount that does not exceed the proportionate amount of the limit may be charged to and reimbursed under the agreement. An affected individual can still be paid the amount of salary and bonus, but the excluded amount must be paid by other sources of funds.

TEGL #05-06 provides more information on the programs that are impacted; the individuals and transactions covered; the application of the limitation; related federal grant and contract modifications; action required; and where to direct inquiries. Additional information in the form of a webinar is also available at the web site <http://www.workforce3one.org/home.cfm?cid=4>.

The Division of Business Partnerships will soon be issuing amendments to its affected grant agreements to require recipients and sub-recipients to adhere to the salary and bonus limitations of PL 109-234 and TEGL #05-06. All new grant agreements under the affected programs will also contain similar provisions.

Any questions regarding this Workforce Advisory should be directed to Roger Foisy, Acting Program Coordinator, Division of Business Partnerships, at 907-269-4647 (phone), 907-269-4661 (fax), or roger_foisy@labor.state.ak.us (e-mail).



Corine Geldhof
Director
Division of Business Partnerships